

Transparency in Trading Companies

Should trading companies join the EITI, what are the issues and opportunities?

**Bachelor Project submitted for the accomplishment of the
Bachelor of Science HES in International Business Management**

by

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Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Haute école de gestion de Genève, for the Bachelor of Science HES-SO in International Business Management.

The student accepts the terms of the confidentiality agreement if one has been signed. The use of any conclusions or recommendations made in the Bachelor Project, with no prejudice to their value, engages neither the responsibility of the author, nor the adviser to the Bachelor Project, nor the jury members nor the HEG.

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Geneva, 31st May 2017

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Executive Summary

This thesis explains the relationship between transparency and corruption in the trade and business universes, as well as analyses how it affects stakeholders closely linked to the problem.

The first section sets out the context of the EITI standard and its history, scrutinizes and analyzes the different types of corruption, financial impact of corruption to trade and business, the link with transparency and possible avenues, if not to eradicate corruption but at least to derail and minimize opportunities for corruption. A statement of the current corruption situation will be made in order to understand where we stand. In considering the context of the subject matter, a detailed review of several real cases will demonstrate how corrupt practices emerge in real life. Furthermore, these real cases will enable to differentiate several stages where corruption can emerge.

The second part of this thesis is an analysis of the distinction between physical and derivative trading in order to better grasp the concerned stakeholders. In addition, a review of the existing regulations, and an explanation of the differences between extracting and trading companies to understand concerned stakeholders will be undertaken. Examples such as payments to government reports attempting to uncover suspicious transactions and a comparison of the transactions will be carried out and explained individually. Not to forget that a detailed consideration will be given to the Trafigura Swap contract with Nigeria since it has been the focus of much media attention.

Finally, after having contemplated the business rationale for these transactions, the paper will analyze the benefits and threats of being transparent from a trading company perspective. According to the findings, we will discuss if trading companies should join the EITI, and understand what their real fears are.

The main aim of the thesis is to prove my initial hypothesis has been reached; namely: building stronger standards, laws, and regulations to minimize the phenomenon of corruption and promote transparency in the trading and business sectors.

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1. Introduction

Natural resources are one of the most important blessings a country could hope for: such resources are or can be, depending on how they are exploited, used to materially improve, in the country, the lives and wellbeing of its citizens as well as grow its economy and assure its progress in general. U.S.A, Canada, Norway are amongst countries that have experienced significant growth and development due to the effective and successful exploitation of their natural resources.

It is an unfortunate fact that the rule of law and the governance of natural resources are not robust or sufficiently and appropriately regulated in every country. Certain countries, despite their very rich soil continue to have a large part of their population live in poverty and thus the country limps along with a stagnating economy.

In order to minimise the risk of mismanagement, regulations have been formulated in order to force extracting companies to disclose their payments to the government and thereby create a more transparent framework.

Additionally, a standard has been set by a multi stakeholder group in order to shine a light on the payments to the government by extracting companies.

Together, the regulations and the standard force extracting companies to disclose their financial transactions in the majority of the countries where they operate.

The physical trading industry, however is being criticised for lacking transparency and conducting suspicious transactions. With the concentration of trading companies in Switzerland and the continuous increase in their turnover, many stakeholders and local communities demand more and improved transparency in order to be able to track the financial trace.

For producing countries, corruption and the lack of transparency on deals is a central and truly critical area of concern: it enables corrupt practices, the consequences of which in turn have a material negative impact on the ability of the country to grow its economy. Without a strong economy, the country suffers in every respect.

Trading companies have a business rationale and strategy and cannot afford to be exposed to risk to satisfy the demand of some of their stakeholders. Currently, regulations regarding mandatory disclosure exist but their scope is limited to the extraction part of the business. Some companies such as Trafigura disclose their financial transactions, but they are unique in doing so.

Switzerland is the headquarters of many trading houses, and is therefore under intense pressure from international lobbyists that seek laws that would force trading companies to disclose their payments to governments in respect of their trading activities.

The trading operations to date remain highly secretive and only few companies disclose their payments to governments on a voluntary basis. The industry is under investigation, begging the question of whether trading companies should self-impose regulations, or be subject to some form of self-certification, in order to be in control ; or should they continue to operate as they do with the risk of legal binding regulations that governments may impose but which currently do not exist.

2. EITI

“Promoting public awareness about how countries manage their oil, gas and mineral resources”

2.1 History

Between 1990 and 2000, Jeffrey Sachs, Joseph Stiglitz, Terry Lynn Karl and Paul Collier, studied, wrote and published considerable academic literatures on the topic of the “resource curse” which was a very secretive sector. They theorized with this concept of “resource curse”, that the exploitation of the natural resources resulting in insignificant benefits for the economic people, that any existing poverty was exacerbated, there were increased conflicts and a breeding ground for corruption. These writings explained how the elite monopolized revenue, and manipulated tax systems to funnel profits from the non-extractive industry. The writings outlined on the one hand the challenges and obstacles that existed in attempting to address issues related to governance, licenses, contracts, operations, allocations, spending, and on the other hand proposed solutions to independently tackle these issues. They concluded that it is nigh on impossible to tackle all of these problems simultaneously, other than by a focused and increased system of transparency. (1)

In examining these academic writings, we have observed that the number of journalistic articles on the subject increased drastically as did the number of campaigns undertaken by civil society to raise and discuss the concerns publicly. Global Witness, Human rights watch, and Oxfam America, were among the first non-profit organisations to denounce this lack of transparency and call for a radical change in approach. (1)

In 2001, George Soros established a program called “Revenue Watch” aimed at investigating revenues paid to the governments of countries located in the Caspian region by oil companies. In response to this action and building on the momentum, NGOs stepped in to push their agenda of corporate social responsibility, seeking to enact law that would oblige extracting industries to publish details of their financial transactions to governments of developing countries. (1)

In 1999, Global Witness published a very interesting paper wittily entitled “A Crude Awakening” addressing and disclosing all mismanagement from the exploitation of Angola’s oil. They concluded by saying that the oil industry, lending banks, and national governments are duty bound to change their policy regarding their business practices in developing countries, and “publish what you pay” (PWYP), a slogan that later would be drawn upon by civil society to incentivize companies to take action. (1)

In response to this paper and to the reaction of the civil society, British Petroleum (BP) published for the first time in February 2001 what they paid to the Angolan Government for an offshore license, namely a sum of USD 111 million. In a letter, the Head of the National Oil Company “Sonangol” wrote to BP: (1)

“It was with great surprise, and some disbelief, that we found out through the press that your company has been disclosing information about oil-related activities in Angola.”

Lord Brown, CEO of BP, at the time concluded that an approach where only one country and one company are under pressure to disclose financial transactions is not workable, and to achieve the goal of improved transparency in a systematic and effective way, it would be necessary for a united effort amongst all oil companies. (1)

Oil companies disapproved of the initiative of reporting, as promoted by the concept of PWYP; for them it represented a threat because they did not wish to endanger their relations with host countries and put contracts at risk. They argued that if reporting was to be required, every company should be treated equally. (1)

Taking into consideration all aspects of the issue, factoring in concerns and the arguments from the stakeholders, and paying due attention to the concept of PWYP, the Government of the United Kingdom, namely the Cabinet Office, the Department for International Development, the Treasury, the Foreign Office, and the Department of Trade and Industry, saw an opportunity to launch an initiative where both governments and interested companies would be subject to transparency. (1)

2.2 The Standard

The EITI is a global standard aimed at providing the necessary openness and public scrutiny on how a country's wealth is managed in order to ensure that it benefits its people. The EITI came about as a result of a coalition of governments, companies and civil societies working together to disclose revenues in order to inform the public, enable debate in respect of the information, promote understanding and strengthen trust. (2)

“A country’s natural resources, such as oil, gas, metals and minerals, belong to its citizens. Extraction of these resources can lead to economic growth and social development.” (2)

The major tool used by the EITI to increase transparency is the reports that they provide on each countries' member of the standard. Every stakeholder uses these reports differently: countries for example can verify that they received the correct amount due to them, and it can also help them to forecast their revenues; extractive companies that may not enjoy a favourable image due to their operations can enhance their brand image; civil societies, benefit from reliable and clear reporting and data that will enable them to analyse revenue streams. The objective is to make reports readily available in a comprehensible form to all who may have an interest and actively promote, in order to encourage and engage in public debate. With the increasing number of countries adhering to the EITI, reports include more and more information. The EITI encourages countries to disclose their financial transactions and incomes also online in an effort to keep pace with the progress in digital technology. Such data and information is of critical importance to civil society that can track revenues from the initial exploitation of their natural resource at every stage along the chain and how it benefits the countries' citizens.

In summary the aims of the standard are to:

Build trust: By publicly disclosing information, leading people to believe they can trust their government, and enhancing their faith in the reliability of head of the country. This creates the grounds for a more satisfied and more stable society, reducing the risk of rebellion and internal conflict. (3)

Improving dialogue: Reports are created in an understandable way, in order to make them accessible to everyone. The objective is primarily to raise awareness of the

process and issues related to exploitation of the country's natural resources and restrict a government from looting the wealth of its own people. (3)

Improving governance: With the recommendations provided by the EITI, the head of the state is positioned to make better decisions. As a base line, the principle of being accountable to different stakeholders should act as a strong incentive for governments to make appropriate or at least better decisions. (3)

Empowering citizens: By giving the tools to people to understand questions such as: 'How much money has the government earned?' and 'Where has the money been spent?', governments are directly accountable to the people. In other words, if there is a mismatch or money unaccounted for, the people are empowered to question their government and entitled to acceptable explanations. (3)

Attracting investment: In a country seeking to reduce its level of corruption, by increasing transparency and spending money on its development, the society is more satisfied and stable and therefore, the risk of rebellion diminishes, leading to interest and likelihood for foreign investments into the country. The country is more attractive due to low levels of bribery and corruption.

Managing & enhancing growth: As a result of all the positive effects brought about by the EITI, namely increased trust, better governance, stable society, foreign investment and wealth, this can only lead to economic growth especially in countries where there is so much room for growth. (3)

In the reports, the EITI also proposes policy, regulatory and administrative recommendations on the actions to take. It appears that the impact of the EITI on a government that determines to integrate the standards is manifest. In some cases, recommendations are just a spotlight on the weaknesses of a government system. In other cases, when countries decide to undertake recommendations provided by the EITI reports, change in policy and reform have led to visible improvements in the country. (4)

The EITI is constantly improving its standard and as recently as 2016, tackled the issue of beneficial ownership and trading companies. The EITI aims to disclose the identity of beneficial owners of companies that obtain the rights to extract oil, gas or minerals. For a long time such individuals were protected and/or operated in a clandestine and complex web of corporate entities located in countries with financial secrecy laws and framework. (4)

In February 2016, the 51 member countries abiding by the EITI agreed to new rules: oil, gas and mining companies as well as governments will have, starting 2020, to inform the public of the beneficial owners. Additionally, the 2016 EITI standard also requires political exposed persons (PEPs) to be transparent regarding their shares in oil, gas and mining companies. (5) By undertaking these actions, the EITI aims to prevent conflicts of interests and corruption in this industry. (4)

The EITI determined the need to address this issue for several reasons: (5) (6)

1. Governments and their people wish to know who is bidding to operate their natural resources. This will enable them to better assess the suitability of companies, in order to make a suitable selection and seek an appropriate, successful and sustainable agreement.
2. By providing the right tools to government agencies and people to assess the beneficial ownership, it will reduce the risk of conflicts of interest in licence allocation.
3. Transparent information regarding companies' structures, their subsidiaries, parent companies as well as beneficial owners will allow tax authorities to better understand which transactions are liable for taxation. It will also enable the prevention of illicit financial flows, money laundering and corruption.
4. To attract and diversify investments: It is crucial for investors to know the people with whom they are doing business and have a level of comfort vis-à-vis the country's approach to corruption.

The EITI also wants to increase the transparency of trading companies: currently they operate in a secretive manner and there is therefore a great deal of potential for transparency improvements. To date, the EITI does not address the issue of financial transactions from one private company to another, but they do cover payments from state bodies to private companies. National oil companies receive revenues from the sale of their share of oil, but often the mismanagement of these revenues lead to losses. Additionally, allocation of licences is prone to corruption and / or conflicts of interests. Chad, for example, seeks to increase the transparency of its oil-backed loans. Ghana seeks to identify the key actors to help reduce transfer pricing risk. (6)

Since its creation in 2001, the EITI has evolved and now covers all the key steps of the extractive sector value chain. The challenges highlighted by the EITI progress report that will be tackled are: (6)

1. Integrate the EITI into government systems
2. Use information to turn recommendations into reforms
3. Identify who owns companies and who benefits
4. Ensure better participation by implementing governments and their citizens

Below is an iconography from the EITI progress report 2016. It shows where efforts will be placed to reach targeted goals for 2020. In their latest progress report 2016, EITI explained that the most urgent issue to tackle is company anonymity. (6)

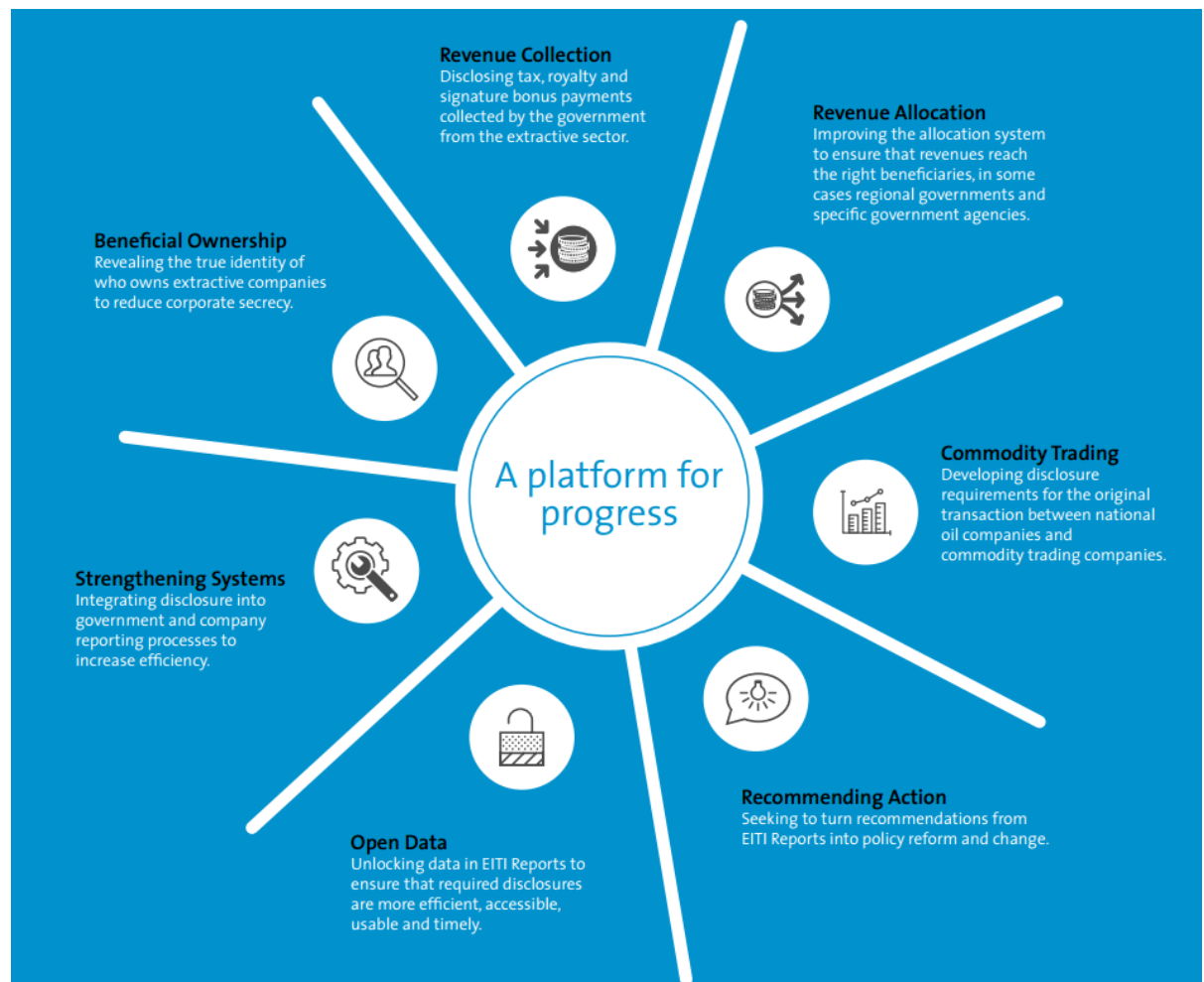


Figure 1 A platform for progress - EITI progress Report 2016

3. Corruption

Corruption is a small word but one that encompasses many different forms and manners of improper payments and bribery. In this section, we will differentiate the concept of corruption from that of transparency and further, acknowledge and understand the different categories of corruption, their implication, the cost to society, and finally how one can aim to fight it.

3.1 Types of corruption

Corruption is defined by Transparency International as “the abuse of entrusted power for private gain”. It can be categorized as grand, minor, commercial, political and anything in between. It is pervasive, to be found in any sector, for any amount, and at any level of society. (8)

A less relevant kind of corruption in relation to the subject of this paper, but still all too present and typical worldwide, is minor corruption that typically involves small amounts of money: it typically occurs in the streets between low or medium public officials and ordinary citizens. Illustrative sectors where we could find this type of corruption are the Police department, Schools, and Hospitals. (7)

The following two categories are more directly related to the subject at hand, and we will focus on them. First, we observe the grand corruption which consists of improper acts committed by high level figures. These range from heads of state, their circle of advisors and officials, to CEOs of national companies. Grand corruption is much worse than minor corruption due to the amount of money involved, but also, and most importantly because of the impact on society. An important factor that distinguishes grand corruption from minor corruption is the distortion of policies, which is the main tool used by the leaders to loot the revenues generated by the natural resources of the country that belong to the people. Grand corruption is also very hard to detect, as it is at high and often protected levels in hierarchy. People do not have access to information, therefore it often goes unpunished. There are several examples that represent grand corruption all too well in the world: Petrobras, Odebrecht or even the former Ukrainian president, Viktor Yanukovich, show how collusion can make billions of dollars disappear from national economies at the expense of the population. (7)

The second category is political corruption, which also involves manipulation of policies, rules, and institutions but the objective is a little different. We are talking about political corruption when there is a distortion of rules by political figures in order for one

to allocate resources and financing according to his or her personal interests. The aim of political corruption is generally to gain or sustain power, status and wealth. (7)

3.2 Cause of corruption

Corruption is everywhere, but to go from grand to minor, to evolve to a bigger scale, corruption needs several factors to be combined. Generally, corruption evolves in countries where there is a low rule of law, institutions are weak, and judicial processes are slow. Corruption also tends to flourish in opaque environments with dysfunctional government policies. (8)

Common grounds for public employees to be tempted into corrupted practices is often the declining or low wages, or promotions distinct from performance. Additionally, senior officials, or political leaders who use public resources for private gain have even less motivation to remain honest. In some countries it is common knowledge and practice that public officials supplement their inadequate salaries in this way, i.e. by exploiting their position and circumstances for personal gain. (8)

The World Bank believes corruption in the public sector depends on the size of the rents under a public official's control, the discretion that this official has in allocating those annuities, and the accountability that the official faces for his actions.

Later in this paper, I will use real cases to demonstrate what happens when those factors are combined.

In some countries, anti-corruption laws exist, but there is a divergence between formal and informal rules, meaning that it might be in the law that paying a bribe to public official is illegal, but in practice the law is not enforced or may be applied only sporadically and not effectively in some cases.

3.3 Transparency

Transparency is about disclosing information and data to enable a comprehensive understanding and a clear view of the events and actions in question: it can relate to budget, financing, allocation of resources, processes, or plans. Transparency is also about explaining the Why, the What, the How, the When and the How Much? It is almost a guarantee that business people, public officials, civil servants, and board members are acting correctly and according to the rules. The more transparency in a sector, the less opportunity for corruption to take root and flourish because transparency means that at any moment by analysing the reports, data, and

information, and by investigating the issues based in these sources, it is possible to uncover any improper payments or actions. Moreover, disclosing this information creates trust between social classes, and can lead to many other positive consequences such as reduction of conflicts and a more stable and fair society. (8)

We have seen that the EITI is not aiming at directly reducing corruption. The EITI focuses on transparency, and the premise is that more transparency will enable people to be aware of what is happening in their country and its resources. Transparency would theoretically force governments to be accountable for their actions. People will no longer be in the secrecy of the allocation of money. Having governments disclose this information, and the fact that they know they are accountable, should be an important factor that could reduce the risk of officials being attracted by corruption.

3.4 Cost of corruption

“Bribery is unethical wherever it occurs, because it is unjust, unfair, and corrupting whether it is legal or not. Everybody in a country may accept bribery as a way of life, just as “everybody” may accept vengeance killings, abuse of women and child slavery. Bribery still creates conflicts of interest, distorts policy and impedes justice. It favors the rich and powerful over the poor and weak. It harms society. It is wrong.” - Kofi Annan and the U.N.'s Culture of Corruption (3/5/2005)

The cost of corruption is enormous. It is difficult to put a number on it, but irrespective it is important to understand how corruption can affect the lives of people. According to Transparency International, the cost of corruption is subdivided into four categories, namely Political, Economic, Social, and Environmental. (8)

On the political side, corruption is a huge obstacle to democracy and the rule of law. In Switzerland, people broadly trust the government, but in many African countries, this is not the case. When people detect corrupt practices in the political system, institutions immediately lose their legitimacy and integrity, i.e. if corrupt practices are not identified, challenged and punished or appropriate repercussions applied, institutions will continue to operate legally, but the people will no longer support them. This is the case in Democratic Republic of Congo. They are ranked 156th out of 176 countries on the Corruption Perception Index 2016, which means they have a high level of corruption. On the paper, this country is considered as a democracy, but is this really the case? Considering their involvement in corrupt practices, it is highly unlikely. (8), (11)

The economic cost of corruption refers to investments made by politicians, or presidents in projects that will line their pockets rather than benefit their society. The allocation of the budget is a very delicate topic even in developed countries as we have recently seen in the USA with Donald Trump. Budgets are often tight considering all the aspects to cover, and people making decisions often prefer to invest in high yield projects rather than schools and education, hospitals, and the infrastructure. This is a strategy that does not enhance the lifestyle of citizens. On the contrary, dams, power plants, pipelines and refineries are projects that are affected adversely. The major cost of economic corruption is the lack of development of fair market structures, which distorts completion and leads to slow investment. (8)

The social cost of corruption refers mainly to the lack of trust by citizens in their government, institutions, and in their leadership. This cost can quickly evolve into conflicts or a putsch, which invariably become an additional challenge to overcome and is often damaging to such an extent that it severely stunts the progress and growth of the country and its economy. (8)

Probably one of the most hotly debated topics in recent times is the environmental costs of corruption due to climate change. This is considerable, and is due to the lack of enforcement of environmental regulations and legislations by governments on the mining industry which has devastating effects on populations and lasting adverse effects for generations to come. It has been widely reported and clearly apparent that the air in China is highly polluted; this goes also for some African countries such as Zambia, with the famous copper mine Mopani operated by the commodity giant Glencore. Multinationals continue to pay bribes in order to have unrestricted permission to pollute. (8)

3.5 Fighting corruption

According to Transparency International, there are 25 different methods to tackle the issue of corruption. Of course, each method has its purpose, and can strive to solve only one limited part of a bigger problem, but by combining some of the solutions it may be possible to create a more powerful tool. In this paper some of the solutions proposed by Transparency International are reminiscent of and somewhat reflected by the EITI standard: (9)

- Transparency
- Disclosure
- Automatic Exchange of information
- Accountability
- Civil Society
- Access to information

There are three guiding principles to tackle corruption in the right manner: First, the creation of partnerships, second it is essential to stay non-confrontational, third, proceed step by step. (8)

We have seen that simply denouncing corruption will not reduce it. Everybody is well aware that corruption exists, but to efficiently hope to diminish it, governments, businesses and civil societies must work together to set standards and procedures that everybody will follow and respect. This is the concept of creating effective partnerships in this context. Partnership is vital to reaching positive and durable results. Effective collaboration between civil societies, governments and businesses is the first step to efficiently tackle an issue that affects the whole society. Remaining non-confrontational is important to be able to bring different stakeholders to the table, in order for all to work on solutions together. Finally, in respect of the third principal of proceeding on a step-by-step basis, this means that every project should be tackled separately and as a discreet component in order to stay focused and therefore attain better outcomes, in other words, one step at a time. (8)

According to the United Nations Office on Drugs and Crime, the first step to fight corruption is to ratify the Anti-Corruption Convention. This is intended to bring legitimacy to the fight against corruption but also to build trust and stability for the people.

“If fully enforced, this new instrument can make a real difference to the quality of life of millions of people around the world.”
Kofi A. Annan (13)

The United Nations Convention Against Corruption, (UNCAC) is, according to their website, the first international legally binding instrument. UNCAC entered into force on 14th December 2005. (10)

UNCAC aims to address the key aspects of the fight against corruption, namely prevention, criminalization, international cooperation and asset recovery. Since its birth in 2005, the convention has been, to date, ratified by most of the 193 member states of the United Nations. (10)

The ratification of the UNCAC allows countries to turn to UN agencies, particularly the United Nations Development Program (UNDP) and the United Nations Office on Drugs and Crime (UNODC), for technical support, including advice on building and strengthening national anti-corruption institutions, developing strategies and legislation to stem and prevent corruption and implement programs addressing the main systemic causes of corruption. UNODC, as guardians of UNCAC, provides technical assistance to the state parties and signatory states by assisting them in ensuring the integrity of their judicial systems, improving their legislation, exchanging good practices and developing strategies to effectively combat corruption. (11)

The United Nations Development Program is fighting corruption by striving to reduce poverty, promote sustainable development and help countries achieve the Millennium Development Goals. It helps build the capacity of governance institutions to function more effectively and, in close collaboration with its partners, provides assistance and advice to developing countries on how to combat corruption. It focuses on strengthening the role of the media and civil society in encouraging citizens to participate and engage in public affairs. (11)

3.6 Current situation

Now that we have a broader knowledge of the various approaches and methods of fighting corruption and the cost of these practices on society, it is natural to pose the questions as to whether or not these are effective, and whether or not there are any meaningful outcomes?

To answer these questions, I will refer to and compare two maps provided by Transparency International that rank countries depending on the corruption perception index (CPI). The scale ranges from 0, identifying the highly corrupt and represented in Red, to 100, identifying the least corrupt and represented in yellow or pink.

The CPI is computed based on the following variables, and is not a verdict of the corruption of a nation but more an indication of the perception of corruption in the public sector in the country in question. The CPI is considered a reliable source as it takes indicators that range from topics such as the quality of public administration, transparency and accountability, quality of budgetary & financial management, to property rights & rule based governance, amongst many. (12)

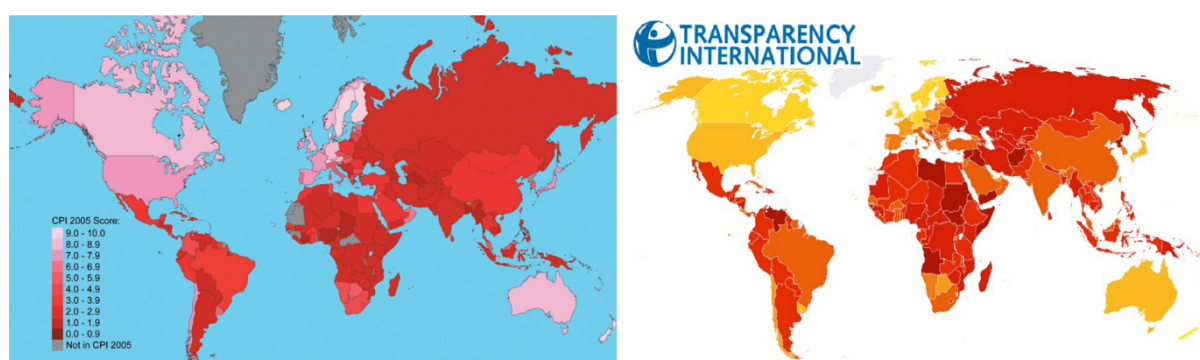


Figure 2 Corruption Perception Index 2005 on the left and 2016 on the right from Transparency International.

As can be observed by reference to the graph above, despite all the good initiatives, and the willingness of stakeholders to fight and reduce corruption, the results are not yet evident. It is highly disturbing to be confronted with a map that shows essentially that the extent and reach of corruption is so wide and so pervasive.

A point to highlight in viewing these two graphs is that since the date of implementation of the UNCAC in 2005, global corruption has in fact not decreased significantly or at all. In fact, if we compare the figures provided for 2015 with those for 2016 we can quickly conclude that there are more countries that declined than improved, highlighting an urgent need for action. This is a finding that is perplexing and unsavoury not least because according to Kofi Annan this Convention would positively impact the level of corruption and therefore improve the lives of millions of people. (13)

So how can we explain that corruption remains present and shows no signs of receding despite all the efforts provided by all stakeholders? Is that because the convention is not fully enforced? Or are there other external factors that contribute to this reality? We will try to answer these questions later in this paper.

The same questions can be posed regarding the EITI, which as a reminder does not focus on reducing corruption but instead on increasing transparency and which is, according to Transparency International, a component of the fight against corruption. How can we explain that according to the EITI's website, Ghana for instance is considered to have completed significant improvement but on the corruption scale (CPI) they moved from position 47 in 2015 to 43 in 2016? What about Mauritania, also considered to have undertaken significant improvements, but at the same time deteriorated from 31 in 2015 to 27 just one year later?

There is another index that is less complete as there are only 58 countries taken into consideration, but for the purpose of this paper it is very valuable as it focuses mainly on oil, gas, and mining producing countries. Known as the Resource Governance Index (RGI), it measures the quality of the governance in these sectors. The RGI, together with the EITI, and the CPI provide a reliable overview of the current state of corruption for us.

Nations part of the RGI are of critical importance, because not only put together do they produce in excess of 80% of the world's petroleum, diamond and copper, but they also rely heavily on revenues from these resources. Therefore, poor governance of these assets will not only directly affect the population, but also the economic growth of these countries. (14)

Once again, the results provided by the Natural Resource Governance Institute (NRGI) are discouraging. The index (RGI) highlights that only 11 countries, representing less than 20%, have satisfactory standards of transparency and accountability. The other 80% of countries seriously lack information on the sector. Even countries that have satisfactory standards have, to a certain extent, weaknesses. Finally, the (NRGI) reached the conclusion that there is a major lack of governance in this sector, and they underlined that such a lack is even more obvious in countries that are more resource dependent. (14)

Their recommendation to improve governance includes disclosure of contracts signed with extractive companies, ensuring that regulatory agencies publish comprehensive reports on their operations with details regarding revenues and projects. They also suggest an extension of transparency and accountability standards to state-owned companies, and finally an acceleration of the adoption of international reporting standards for governments and companies. (14)

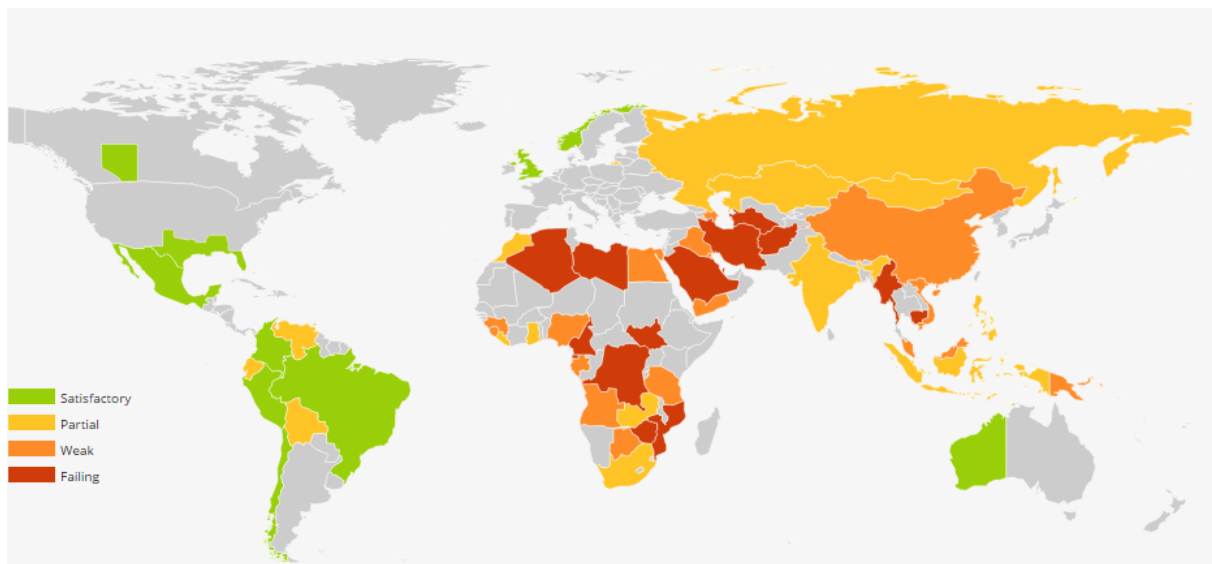


Figure 3 Resource Governance index 2016

4. Case studies

In this section using real cases I will demonstrate how lack of regulations, poor governance and opacity on deals can lead to corruption.

First it is important to distinguish between the two types of companies that supply crude oil on the worldwide market.

International oil companies (IOCs) also known as “*Supermajors*”:

- ExxonMobil
- Shell
- BP
- Total SA
- Chevron Texaco
- ConocoPhillips

These are private companies owned by investors with a focus on increasing the value for shareholders. Their decisions are taken based on economic factors; therefore, they can react quickly and produce oil that will be sold on global markets. (15)

The second category are National Oil Companies (NOC) which are divided into two categories.

The first NOCs operate as an extension of the government, such as Saudi Aramco (Saudi Arabia), Pemex (Mexico), or China National Petroleum Corporation (CNPC). These companies provide the energy for domestic use at a cheaper price than the international market. They provide financial support to the government, ensure long term revenue for the government and create employment. An important distinction compared to International Oil Companies is that they are less market oriented and

therefore pursue different objectives. According to Energy Institute Information (EIA), all NOC members of the Organization of the Petroleum Exporting Countries (OPEC) fall into this category. (15)

The second category NOC category are companies that function as corporate entities, meaning they are not an extension of the government. Here we find companies such as Petrobras (Brazil), Statoil (Norway) among many others. These companies are a mix between IOCs and NOCs, they are market oriented but can also consider their nation's goals when taking strategic decisions. (15)

It is important to underline that OPEC members together control 73% of the world total proved crude oil reserve, and in 2015 they produced 43% of total world's crude oil. If we consider all NOCs, these figures rise, according to the World Bank, to 75% of world's production, and control approximately 90% of the world's oil reserve. (15)

Considering that NOCs have a much bigger market share, and therefore a bigger impact, the following cases will focus on them specifically. Corruption risks can appear at different stages in a governmental sale of oil. They are separated into three categories:

- Selection of buyer
- Negotiation of terms
- Transfer of revenues

4.1 Selection of buyers

Because National Oil Companies own such a big part of the oil market it is understandable that many private companies want to buy from them and secure long term businesses. Many companies apply to acquire rights to purchase from NOCs. Among all companies, only few will be selected. This method of rights allocation triggers corrupt practices, and incentivizes companies to bribe officials in order to obtain the contract. (16)

The importance of transparency and rule-based allocation processes will be highlighted in the following cases. To date, NOCs are not under pressure to disclose information and the spotlights are focused on International Oil Companies which represent only a tiny portion of the oil market. (16)

4.1.1 Fossus Energy-Indonesia bribery case (2013)

This case is a direct illustration of the kind of practices that occur in the real world to acquire the allocation of rights to buy oil from NOCs.

In 2003 the executive of “*Kernel Oil Pte Ltd*”, Simon Gunawan Tanjaya, was sentenced to three years in prison for a bribe of USD700’000 , paid to former chief of Indonesia’s Oil and gas regulator “*SKK Migas*”, Rudi Rubiandini, by the Jakarta corruption court. (16)

The bribe was paid through Mr. Rubiandini’s golf trainer, who acted as a middleman and a sister company of Fossus Energy, “*Kernel Oil*.” The kickback paid to Mr. Rubiandini was given to secure the allocation of oil blocks to “*Fossus Energy Pte Ltd*”. (17) (18)

Mr. Rubiandini was also arrested soon after he received the bribe. His sentence was set by the court to seven years in prison and a fine of 250 million IDR (roughly USD19’000). He argued in his defence that the bribe was required by parliamentarians for “holiday bonuses”, allegations which they denied. (17) (18)

Prior to his position at SKK Migas, Mr. Rubiandini was an oil and gas expert from the Bandung Institute of Technology as well as deputy of the “Energy and Mineral Resources Minister”. The golf trainer was sentenced to four years and six months in prison when the authorities discovered that he was also involved in money laundering practices. (18)

This case demonstrates high political and business figures’ possible implication in a corruption scandal.

4.1.2 Gunvor-Republic of Congo oil marketing controversy

In 2010, an employee of the renowned company Gunvor, was accused by Swiss authorities to have paid bribes through a Swiss bank “*Clariden Leu*”, which was acquired by Credit Suisse in 2011. The business developer of Gunvor credited USD? 15,000,000-in two bank accounts of shell companies controlled by “*Jean-Marc Henry*” a French businessman with tenuous connections with Congo-Brazzaville, and “*Maxime Grandision*”, a Gabonese businessman, former advisor of the president Omar Bongo, a relative of president Denis Sassou Nguesso, and also formerly of Elf-Gabon. (16) (19)

According to the press, these bribes allowed Gunvor to purchase, 18 million barrels of crude oil from the Société Nationale des Pétroles du Congo (SNPC), Congo's NOC from 2010-2012. The estimated market value was USD 2 billion. (19)

Swiss authorities were searching for payments in favour of Congolese officials, or any other information that could enable them to tie Mr. Grandision to the state of Congo, to confirm this exploitation. (19)

Additionally, to the indirect bribes, Gunvor also provided the Republic of Congo with a USD750,000,000 oil-backed loan for the construction of oil infrastructures. Obviously, terms and conditions of the loan were not disclosed and it is very unclear how the funds were spent. (19)

Finally, an official of the bank reported the USD 30,000,000 payment to regulators. Swiss authorities then froze the accounts and opened an investigation on Gunvor's employee. Gunvor denied any wrongdoing and explained they were not aware of the payments. They then fired and sued the employee who orchestrated the whole scheme. The manager ~~only~~ was sentenced for bribery and money laundering. (19)

4.1.3 Trafigura-Do Nascimento joint ventures in Angola

The following case will underline how governments and political exposed persons (PEPs) can sometimes enter and partner into deals with international companies.

In 2010, a Singapore company named "Cochan Pte Ltd" acquired 18.75% of the stake of "Puma Energy International" which is a subsidiary of Trafigura headquartered in Singapore. (16)

The payment of the stake was made through Cocham Pte's Marshall Island-registered holding company, named "Cocham Holdings LLC". Cocham Pte is owned by a sole shareholder entity named Cocham Ltd registered in Bahamas, a tax haven known for its financial secrecy. (20)

The real question is who is the ultimate beneficiary of this Bahamian Cocham company? The owner is the company of "General Leopoldino Fragaoso Do Nascimento". General Dino as people call him in Angola was head of communications for the Angolan president, and then General Kopelipa's advisor, which would indicate a close association with the Angolan Government. Additionally, Trafigura invested significant amounts of money in Angola, through a company named DTS Holding, headquartered in Singapore. The directors of this company are no other than General Dino and a French businessman. (16) (20)

Through a network of shell companies, General Dino held stakes of Trafigura's affiliates that signed deals with the National Angolan Oil Company "Sonangol".

The Trafigura deals with the Angolan government were split into two parts. The first was an oil-for-refined products swap. The second, was an agreement between the Angolan government and Trafigura for the importation of oil-refined products for domestic use. (20)

The complexities of such cases reveal the difficulties authorities face when trying to prove that corruption took place. The schemes are so smartly designed to make it arduous to uncover, and will need manpower, time and money to track. It is evident that in most cases shell companies located in tax havens are used to benefit from financial secrecy. In the last case, we can see that General Dino used several tax havens to ensure a more secure protection; Singapore, Marshall Islands, and Bahamas. The two clear concerns are bribery and buyer allocation in which PEPs have interests. (16)

These cases underline the importance of transparency regarding the implication of stakeholders in a deal, the amount of the transaction, and ultimately the identities of the persons in control of these entities.

4.2 Negotiation Terms

The terms of sale for oil or gas contracts will define if a NOC will obtain the best possible value for its natural resources. Sometimes a NOC sells its resources below market price. That can occur because a government prioritizes short term returns, corruption, or weak market analysis by NOCs or governments. (16)

Here the focus will be on prioritization of short term returns and corruption as they are most likely related to issues of transparency.

Nigeria has used several methods to meet its domestic fuel needs. The National Oil Company, NNPC refines its own crude and dispatches it through fuel retailers.

The NNPC, through its subsidiary PPMC, imports refined products using international traders with cash in advance payment terms. Then PPMC sells to fuel retailers.

Under license provided by Pricing and Regulatory Authority (PRA), private marketers import products that they will then sell to wholesalers and retailers. The NNPC does not take part in this kind of transaction. (16)

The NNPC sells crude oil with product swap, and imports refined oil products instead of cash. Swaps have created a lot of controversy because they have several weaknesses.

Because the open account system collapsed in 2011, swap agreements have heavily increased to meet domestic oil product demands. Moreover, bankers are less and less willing to finance PPMC deals and private marketers, because of Nigeria's foreign exchange shortage and constant currency depreciation.

Because swaps are the kind of deals governments enter into when the demand for their oil is low, or they don't have the cash to buy the products, the crude is often undervalued. Moreover, every swap contract is tailor made, depending on the needs of the consumer, therefore there ~~is~~ are no standards to rely on. Finally, bringing oil products to Nigeria incurs shipping costs that governments are not willing to pay for in cash, therefore the value of crude going out of Nigeria must cover shipping costs plus the value of derivatives coming in. (16)

4.2.1 Nigerian Oil for product Swap

During the administration of President Jonathan Goodluck (2010-2015), several trading companies benefited from weak contract terms and political favour. The deals accounted for one fifth of the government's share of production. According to NRGI, these deals were estimated worth USD35 billion in 2010 to 2014. Former officials argued that these deals were inevitable in order to supply Nigeria with fuels. (16) (21)

Further research by independent institutions have proven that Nigerian swap contracts were poorly drafted and contained inadequate terms that allowed trading companies to make enormous profit at the expense of the NNPC, and consequently the Nigerian people. NRGI has estimated this loss for Nigerian government to be around USD381 million in one year. (16) (21)

One of the reasons that can explain this loss is the lack of trading capabilities of, the contract winner to manage these large transactions, in contrast to the more experienced traders, during this period, there were almost no requirements to disclose information regarding deals. It was therefore very difficult to assess whether a trader met their obligations. After a change in government, the NNPC cancelled all swap deals. (16) (21)

4.3 Collection and transfer of revenues

Due to serious lack of transparency and audit, NOCs can misdirect a portion of the revenues to offshore accounts which enables them to have cash available off-budget. These sums of money are often used for corruption practices since, officially, as they don't exist. (16)

In order to reduce these practices, NOCs must disclose the amount of money they collect, so all stakeholders can track money flows and ask questions.

4.3.1 Nigeria's "missing \$20 billion" controversy

In 2014, 10 years after Nigeria's implementation of the EITI, the NOC was accused of retaining and spending large portions of the oil sale revenue, rather than transferring it to the government budget. According to Nigeria's central bank's governor, Lamido Sanui, this amount represents a sum of USD20 billion, over a period of 19 months. After a series of questions asked of several government officials, five different versions of what happened were offered, none of them being consistent with each other. Therefore, PricewaterhouseCoopers (PWC) was hired to audit and review all the accounts of the NNPC, and it appeared that NOC had a blank check to spend money without limit or control. (16) (22) (21)

The NNPC was unable to provide clear explanations on how the amount was spent, nor could they fully explain the shortfall in its budgetary transfer. Apparently, the NNPC would have made a subsidy payment for fuel that never entered the country, as well as additional payments for ineffectual programs to secure and maintain pipelines. (21) (23)

Diezani Alison Madueke, Nigeria's former oil minister and OPEC president, in control of a large part of the NNPC crude oil sales has been under investigation in several jurisdictions, and was arrested whilst in London in October 2015. (22)

Mr. Sanusi explained to parliamentarians that the NNPC's habits of retaining and spending part of the crude revenues created complications for the Central Bank to manage the local currency and control inflation. He used the example of the global oil price of mid-2015, and explained that Nigeria lacked sufficient savings and had to rely on foreign loan to finance the national budget as well as the NNPC's operations. (23)

4.3.2 Angola's 31 billion fiscal gap

Similar to the previous case, Angola's NOC has retained large sums from oil revenues. According to IMF December 2011 report, the shortfall amounted to USD31.4 billion for the period 2007-2010. This represents a quarter of the country's GDP. The IMF also noted that some funds were sent to escrow accounts for unclear reasons. (16)

Soanngol argued that this amount was retained as a "reimbursement" from spending that had been made on behalf of the government, but could not give further details regarding the nature of the investments. The IMF underlines a critical question: why would the government want these investments to be off-budget? Some part of the deficit was explained, but there was still USD4.2 billion representing 14% of the shortfall that could not be accounted for. The major issue is the lack of governance and transparency of the management of these revenues increasing the risk of corruption and disappearance of revenues at the expense of government budget. (16)

5. Analysis

We have seen that transparency and accountability among other factors are crucial to reduce corruption. The following section will analyse and compare different trading companies' perspective, to better understand their approach of the issue of transparency. Additionally, the drivers that push trading companies to disclose their revenues will be identified.

In the scope of this analysis it is important to note that there is a significant difference between derivative trading or paper trading and physical trading outlined below.

5.1 Derivative Trading

The derivative trading activity involves principally the trading of derivative instruments, such as options, futures, or forward for example. Professionals working in this activity usually trade over the counter (OTC), or on financial markets. (24)

They use different tools. Some are standardized such as futures traded on exchange markets while others are unregulated and more flexible, such as a forward transaction traded over the counter. In this field of the commodity business, regulations have been increasing since the financial crisis in 2007. The EU market is, for instance, governed by the Market in Financial Instruments Directive (MiFID). In addition to the Market In Financial Instruments Directive, the derivative market is protected by many other regulations, for instance the Market Abuse Directive (MAD) that is expected to

empower its applicability to cover insider trading, market manipulation, and physical trading. (24)

In Switzerland, the Exchange is subject to supervisory oversight by the FINMA to ensure they comply with the rules of the Stock Exchange Act (SESTA).

Derivative trading is a very complex topic and it is important not to confuse this with physical trading. Nevertheless, it is interesting to note that unlike physical trading, it is highly regulated and most of it is concentrated around London.

5.2 Physical Trading

Companies operating in physical trading are much more secretive and their type of activity is completely different. As opposed to their colleagues that only deal with paper derivatives and must be licensed by the Financial Market Supervisory Authority (FINMA), the physical trader can operate as they wish.

The physical trading activity involves the movement of a commodity, in time, space, or form, this is commonly called 'Arbitrage'. The physical trader buys commodities from producers and resells them—at a different time and to a different place. Sometimes it can happen that physical traders also store or transform the commodity, (it often occurs with oil when refining or blending to reach different qualities or the refined product).

The link between physical and paper trading is really tight. Commodity traders are dependent on the financial industry for the securing of risks. Physical traders are exposed to the price risk of an underlying commodity; therefore, they take financial positions to lock in their margins and remove this price risk. This practice known as 'Hedging' is frequently used, and is what allows traders to trade differentials, exposure to a basis risk that is less volatile than the price risk.

The business model of trading companies suggests some secrecy. In order to remain competitive and protect their deals, trading companies don't want to publish their payments to governments. For their competitors this information is critical, they can analyse the countries they deal with, the importance of the transaction by analysing the volume bought, and they can assess the importance of the partnership in relation to the amount of the transaction.

The whole principle and business model of a trading company is to use insight and information to buy low from a country where there is excess and to sell high to a country where there is deficit. If trading companies gave all this information they would not be trading companies anymore but just merchants.

In the field of this study, focus will be on physical trading companies which are mainly headquartered in Geneva, considered a hub for physical trading globally, but also because of Switzerland's favourable tax regime and low regulations.

6. Regulations

To date, there are already various mandatory regulations that apply and it is necessary to have a good understanding of the scope of these regulations to be able to examine who is concerned and to what extent.

6.1 Cardin-Lugar Anti-Corruption Measure (Dodd-Frank Sec. 1504)

Trading companies are often vertically integrated, meaning they have in addition to their trading business, upstream or downstream operations. Glencore for instance operates mines in Zambia. It is important to recognise that these upstream operations are different from trading and are therefore subject to regulations. (25)

The Cardin-Lugar anti-corruption measure was the first provision to address the issue of transparency in the extractive sector. After decades of pressure by NGOs and lobbyists, the US adopted the measure in 2010 and this paved the way for the EU, Canada, and Norway to introduce similar legislation and create a global standard for transparency. (25) (26)

The Cardin-Lugar provision required all extractive companies listed on the U.S stock market to declare their payments to governments wherever they operated in the world. However, this provision was made applicable only to companies such as Chevron, ExxonMobil and foreign giants such as PetroChina and Petrobras. Companies not listed on the US stock market did not therefore fall within the purview of this law. (25) (26)

However, the enforcement of this rule is fairly new, having been enacted in 2016 and therefore untested. In fact, it may have stalled because on 14 February 2017 the President of the United States of America, Donald Trump signed into law congressional action to disapprove the rule submitted by the SEC relating to the mandatory disclosure of payments to governments. (25)

6.2 The EU Accounting and Transparency Directive (the Directive)

In 2013, the EU adopted a similar law going even further than the U.S law, as it also included increased transparency regarding deforestation. Combined, the U.S and EU laws would cover 70% of the value of the global extractive industry.ⁱ (25) (26)

Member states of the EU had to issue laws to enforce the application of the Directive applicable to any company registered in the European Economic Area (EEA) undertaking activities in the exploration, prospection, discovery, development, and extraction of minerals oil or natural gas. (25)

Later, in December 2013 Norway passed the mandatory disclosure law domestically, followed by the UK who did the same in 2014. With these countries enacting the new law nationally, companies such as BP, Shell, Glencore, and Statoil are now obliged to disclose their financial transactions. (25)

6.3 Swiss Disclosure Rule

In Switzerland, host country of many trading houses, a similar motion has been established. International communities explained that the Swiss disclosure rule was a mixture of the US and EU laws, and brings no added value except if it included trading disclosure. Extractive companies have to declare their financial transactions, but Switzerland decided not to include mandatory disclosure for trading activities which caused wide spread international irritation as it is the hub of physical commodity trading. (25)

It is essential to distinguish host countries (producing) from home countries for a sound understanding of this subject area. Host countries rules refer to disclosure of financial transactions such as the EITI. The disclosure becomes mandatory for every company undertaking activity in a member country of the EITI. On the other hand, if a country is not a member of the EITI (e.g Angola), extracting companies are exempt from the need to disclose financial transactions. In order to fill this legal gap, US, EU and Swiss regulations apply. (25) (26)

The international community is keen for the Swiss government to extend this rule of disclosure to trading activities, but the Swiss government is wary of putting Swiss based trading companies at a competitive disadvantage compared to jurisdiction where these rules do not apply, such as Singapore. Additionally, this type of regulation can put some contracts at risk, as some countries would prefer to work with companies that

Should trading companies join the EITI, what are the issues and opportunities?
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are not subject to these regulations since the regulation could very easily be bypassed by changing the legal headquarters of the company. In such circumstances, Switzerland would quickly lose its precious and important place as the country of choice it currently enjoys for such activities. (25) (26)

In fact, Switzerland decided not to include mandatory disclosure for the time being as it would considerably reduce the attractiveness of the place for the activity, but it would bear the reputational risk of the international community.

7. Type of companies

To study the different types of strategies adopted by companies, it is essential to understand the context in which they have been evolving over these past years. There are several factors that can influence the decision process regarding the disclosure of financial transactions. We have seen that depending on the location of the company's offices, the company is subject to different laws. The corporate structure of these companies can also change their obligations in terms of mandatory disclosure.

7.1 Extraction companies

Some companies such as Glencore, Vitol, Trafigura, Vale and any company that undertakes extracting activities, are subject to disclosing their financial transaction activities to the government based on the country in which they are headquartered.

Home states are countries where mining or trading companies are headquartered. They play a crucial role in the fight against corruption as they contribute to the enhancement of transparency by implementing laws that are binding on companies.

To date, several countries have implemented rules on the mandatory disclosure of financial transactions to the government. However, these rules apply only to the extraction activity, thereby leaving the trading part of their business protected from the requirement to disclose their financial transactions.

7.2 Trading companies

Most of extracting companies have a trading department, because it gives them a competitive advantage as they extract the resource and can trade it directly on the markets. These companies control several steps in the resource value chain.

When we refer to trading companies, we mean companies whose trading activity is buying and selling commodities. Geneva is considered to be the worldwide hub for this

activity. According to figures provided by the Swiss Confederation, 35% crude oil, 35% grain, 50% sugar, 60% metals, 60% coffee are traded in Geneva. (26) Additionally, Switzerland is the home country of giants and most vertically integrated companies such as Glencore, Vitol, Trafigura but also Cargill and Louis Dreyfus who trade in soft commodities, not to mention the large number of smaller trading companies active only in a single category of commodity.

We have seen that extracting companies are subject to mandatory disclosure of their financial transactions to governments. This is not the case for trading. In fact, as alluded to earlier in this paper, there are as at this time, no regulations to regulate this activity. It is also important to note that the “ABCD” (ADM, Bunge, Cargill, and Louis Dreyfus) do not fall within the scope of mandatory disclosure as their businesses are mainly soft commodities and are therefore not linked to extraction of oil, gas or minerals. (26)

The focus on the transparency of oil, gas, and minerals is mainly due to the involvement of governments in the transaction. Compared with the soft commodity industry where trading companies deal mainly with private companies or cooperatives in the oil, minerals and gas sectors, the government often sells directly its share of oil through national companies; as such, these transactions are more susceptible to corruption and therefore require more transparency. (26)

The international community is trying to put pressure on Switzerland to take the first step in imposing mandatory disclosure for trading activities. They argue that Switzerland should act as the leader of this sector and pave the way for other countries.

8. Companies supporting the EITI

There are more than 80 active companies in the extracting industry that are “supporting companies” of the EITI. Among them we find only two of the largest Swiss trading companies, Glencore and Trafigura. Both provide transparency reports in line with the US and EU regulations, but Trafigura committed to disclose much more than the mandatory information. (27)

In order to become a supporting company of the EITI only a few steps are required:

- I. Publicly declare support for the EITI principle
- II. Complete the EITI supporting company form
- III. Make financial contribution to the international management of the EITI:
 - a. For oil and gas companies, the minimum contribution ranges from USD 20,000 to USD 60,000 USD, depending on the market capitalization
 - b. For mining companies, an additional minimum contribution of USD 15,000 is required

There is no additional information or disclosure to provide in order to become a supportive company of the EITI, but companies can, on a voluntary basis, provide further information on payments to governments, e.g. payment to countries where the EITI is not implemented. (27)

Interestingly, the requirements to become supportive of the EITI are not so demanding. Moreover, there is no additional data to provide. To some extent, becoming a supporter of the EITI is just a matter of completing some paperwork and making a financial contribution in order to be seen as a company willing to increase transparency. The bar is not very high and seemingly one that companies can easily attain.

8.1 Glencore

Glencore is subject to disclosing all financial transactions to governments under the EU transparency directive as it is listed on the London Stock Exchange.

In 2015, Glencore reported payments amounting to USD 2.86 billion to several governments for the extractive part of its business. This figure comprises all countries where Glencore operates, regardless of its membership to the EITI. In addition, it voluntarily declared additional payments set out by region and commodity, taxes (USD 1.8 billion), production entitlements and royalties (28). Despite their supporting status of the EITI, there is no apparent significant effort made by most trading companies to increase global transparency.

In 2016, Steve Kalmin, the CFO of Glencore said “In 2015, our total economic contribution amounted to USD 25.2 billion, comprising taxes royalties, employees’ wages and benefits, and payments to local suppliers.” (28)

This first disclosure is a step in the right direction, but there is still significant room for improvement since their revenue for the same year amounted to some USD 33 billion for their industrial revenue only. We can clearly see that the disclosure made by Glencore is insignificant compared to their total revenue. (28)

On the other hand, the trading activities called “marketing activities” in their report generated some USD 137 billion in 2015 and not a single penny has been reported. (28)

8.2 Trafigura

Trafigura is the only company to publicly disclose more information on payments than required by the law. In 2016, Trafigura disclosed all payments to governments for the two previous years (2014 and 2015), a significant improvement since the disclosure of the previous year (2015) where they disclosed only transactions undertaken with (National Oil Companies) NOCs whose host government was from an EITI country, and where the loading port was in that same country. (29)

Despite the time lag of almost 2 years, data provided by Trafigura in 2015 explains over 5% of the total Ghanaian oil revenue for 2013. (29)

Payment to: 2013	Value of payment (USD)	Product	Ghana's Oil Revenue disclosed by EITI for 2013 (36)	Payment in % of country oil revenue
Ghana	94,720,758.72	Crude Oil	1,595,089,254.46	~ 6%

However, it is with data provided in 2016 that we can make an interesting analysis.

8.2.1 Payments to governments in 2014

Very interestingly, the price paid by Trafigura to government of Ghana in 2014 for their purchase of crude oil is notably low. They purchased for USD 135,620,465.62 worth of crude oil, which represents a quantity of 1,861,240 barrels. This translates into a price per barrel of ~ USD 72.86 (30)

According to Transparency International, Norway is one of the least corrupt country on the planet (6th/176).(12) It is therefore relevant to compare the price paid to Norway with the price paid to Ghana. Of course the quality of the oil is not exactly the same, but there should not be significant variation in the price since the quality is very similar. Trafigura paid to Norway in 2014, USD 220,317,433.46 for a quantity of 2,236,090 barrels. This translates into a price of ~ USD 98.5 per barrel. (30)

The spread between the price of crude oil from Ghana and Norway is enormous, namely USD 25.64 per barrel for almost the same product. This can be explained by the drastic decrease in price of crude oil in 2014. (37) The price was at USD 106.40 per barrel in January 2014 and decreased to USD 53 per barrel in December 2014. Of course the spread might include other factors such as the country risk but this cannot

be the sole explanation for such a noteworthy difference. The spread could well be rationalized by reference to the dates at which contracts were concluded: Trafigura probably purchased from Norway at the beginning of the year, at a high price, while they bought from Ghana later in the year when the price was lower.

Crude oil swap with Nigeria has been much criticized, and was for a long time the headlines of many business newspapers. The data provided enables us to analyse what was wrong with this instrument. As we can see in the table of payments to governments in 2014, the value of Nigerian crude oil swap was USD 2,032,474,003.58 for a quantity of 20'751'930 barrels, which makes ~ USD 97 per barrel. (30)

Most of the time traders buy Free on Board (FOB) and sell Cost Insurance Freight (CIF), in order to increase their margin.

Based on the hypothesis that traders use the standard contract term, the price of USD 97 per barrel can be compared to the average annual price of the spot contract FOB Brent which is the reference market for Europe and African oil. Nigeria produces "Bonny Light", a crude oil of intermediate quality that is very light and has a low content in sulphur, which makes it very easy to refine into gasoil. According to the Energy Information Administration (EIA) the average price of Spot FOB Brent for 2014 was USD 98.97 per barrel. (38)

The value of the barrels purchased by Trafigura compared to the average price for the same year is very close, with the small difference being explained by a discount negotiated on the price on the basis of the volume bought on the long term (term contract).

The second part of a swap contract is the delivery of the refined product. Trafigura delivered the refined product for a value of USD 2,187,107,898.07 for a quantity of 17,168,110 barrels, which equates to a price of USD 127.40 per barrel. Nigeria does not have a great deal of refining capacity, therefore the refined product entering the country is most probably gasoil for domestic consumption. (30)

At this stage Trafigura is "selling" which means they probably used a Cost Insurance Freight (CIF) term. The US is a major importer of gasoline; it is therefore relevant to compare the price with the New York Harbor Conventional Gasoline Regular Spot Price FOB. According to the Energy Information Administration (EIA), the average price of gasoline in 2014 was USD 2.61 per gallon. (39) Since there are 42 gallons in a barrel, the price per barrel is USD 109. 62. The difference between the value of the gasoline delivered by Trafigura in Nigeria (USD 127.40) and the average price of

Gasoline in the US (USD 109.62), also known as the spread, can be explained by several factors. First the Incoterm is not the same: a price under a FOB term would be cheaper since it does not include the main carriage. Second, the credit risk of Nigeria is very high, meaning there is a premium on the price for the risk the seller is undertaking. The real question is: is the risk really worth a spread of ~ USD17 (USD 127.40 – USD 109.62)? The answer is no, simply because Trafigura does not take any risks because they already received the crude oil as a pre-payment, and even if they did not, they know the oil is available. (30)

We can conclude that the purchasing side of the Swap contract is fair since the buying price corresponds to the average price of the same year, but the price of the refined product is too high compared to the average, meaning Trafigura is selling its refined product at a very high price and therefore has to deliver less quantity.

8.2.2 Payments to governments in 2015

As we can see in appendices 1 and 2, payments to EITI countries totalled USD 3 billion in 2014 and USD 915 million in 2015. This reduction of around 70% can be explained by the reduction of the “swap” contract with Nigeria. As we can see in the tables, Trafigura paid USD 2 billion in 2014, compared to USD 77 million in 2015, a reduction of more than 90%. (30)

The reduction of the crude oil swap with Nigeria is due to several reasons. According to Trafigura’s spokesperson, the company decided to abandon these arrangements partly because of the increasing scrutiny by banks that provide financing. (35)(41) The second reason is the change in Nigeria’s government in 2015 (see chapter 4.2.1 above). The new government believed contracts were not favourable to the country and too opaque, therefore they terminated all contracts. (34)

Regarding payments to non-EITI countries, it is interesting to note two things, first countries are not mentioned, and second, payments are much larger than for EITI countries.

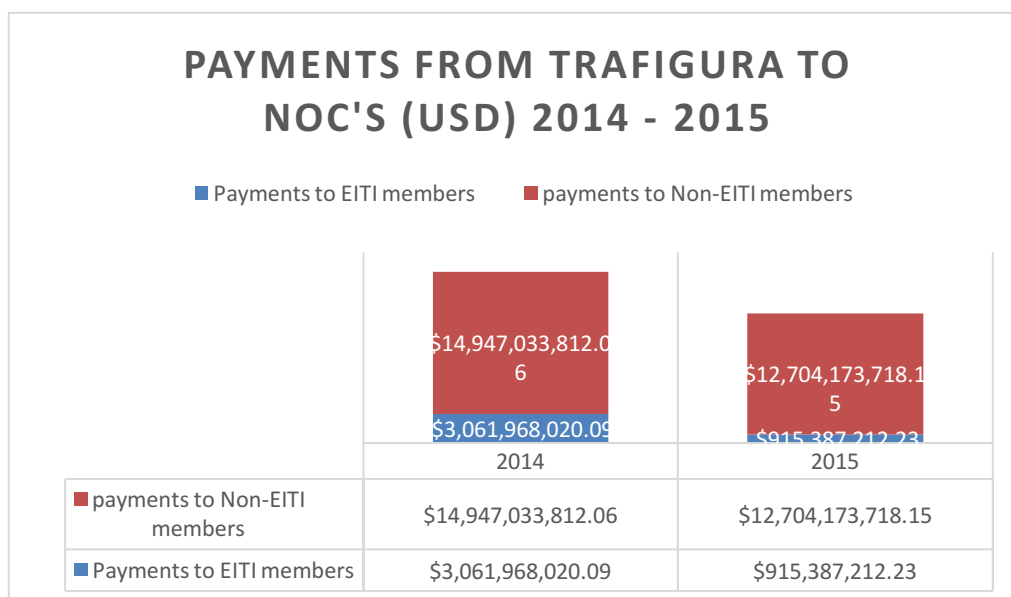


Figure 4 Payments from Trafigura to NOCs 2014 -2015

The previous graph shows that payments to EITI countries are only the visible part of the iceberg as the sums paid to non-EITI governments are much larger. Trafigura, which is only one of many trading companies, paid USD 12 billion alone in 2015 to several unknown countries, a sum almost equivalent to the GDP of Albania (USD 11.44 billion in 2016). (33)

We can assume with a good deal of certainty that a significant part of this amount goes to Russia's state owned company "Rosneft". According to Trafigura's annual report 2015, Trafigura expanded its commercial relationship with Russia and is now the world's largest exporter of oil from Russia, after China. (31) (34)

Another significant part of this amount probably goes to Angola which is a partner to Trafigura since 1990. Trafigura has for a long time delivered oil derivatives to Angola as it had limited refining capacity. Since 2002, Trafigura has more or less had the monopoly for the importation of oil products into Angola, a business valued by Public Eye (2013) at USD 3.3 billion per year. Recently, in 2016, Trafigura lost its connection with the Angolan government since Mariano Marcondes Ferraz resigned due to his involvement in the Petrobras Brazil scandal. Isabel dos Santos has been mandated to restore the financial health of the national oil company and has started to search for cheaper products which she found with Vitol. (32)

The 2016 report also disclosed payments to EITI countries with a loading port outside of the EITI country. These sums represent oil that has been loaded either in a foreign port or with a ship-to-ship transfer. This practice allows the bypass of the standard and

avoids mandatory data disclosure. The sums paid by Trafigura to governments are respectively USD 540 million in 2014 and USD 545 million in 2015. (31)

Interestingly, in the 2015 disclosure Trafigura does not reveal information regarding the refined product delivered to Nigeria in exchange for its crude oil. Considering that the principle of a Swap contract is to exchange one commodity against another, it is surprising to see that it decided not to include this data. This supports my hypothesis that Trafigura sells its refined products with a price premium taking advantage of the importance of the product for the country and its weak position, essentially exploiting the circumstances. (31)

In 2015, the average price of Brent spot price FOB was ~ USD 52 (37) and West Texas Intermediate (WTI) was USD 48 (40) As we can see in Appendix 2 Trafigura increased its purchasing volume with Colombia eightfold: this can probably be explained by the very low price it negotiated (USD 42 per barrel), a spread of USD 10 compared to the average of the year for Brent, and USD 6 compared to WTI. As we can see, Colombia became a very important partner for Trafigura in 2015 since more than 20% of their oil from EITI member countries comes from Colombia.

Also noteworthy, we can see that the volume bought from Ghana has decreased by ~ 1 million barrels from 2014 to 2015. The explanation for this is probably the price that was considered to be too high for Trafigura. In 2014, the price paid by Trafigura was USD 72 per barrel while the average was USD 98 per barrel. (37) Accordingly, this was a very favourable deal. On the other hand, in 2015 the average price was USD 52 per barrel, (37) and the price paid by Trafigura to Ghana was USD 63 per barrel, making it less interesting.

9. STSA member companies

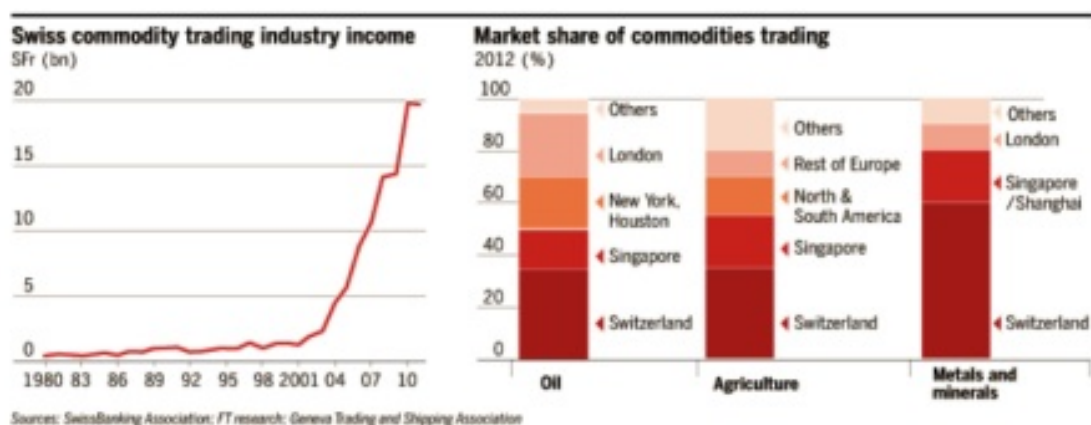
The Swiss Trading and Shipping Association (STSA) is a non profit organization acting on behalf of the commodity industry. Its aim is to enhance public understanding of the sector, as well as defend and protect the interests of the Swiss trading hub. It promotes transparency by being a supportive member of the EITI and openness by working closely with all industry stakeholders to reach workable policies for the sector and host countries.

Most of the Swiss trading companies are members of the STSA, except Glencore and Trafigura that we have examined previously. The STSA's member list includes banks, trading companies and auditors.

The STSA's point of view regarding transparency is nebulous and somewhat contradictory because on the one hand they support the initiative, but on the other they are seemingly reticent on the topic of transparency for trading activities.

In 2014, Trafigura which had been a member of the STSA, withdrew from the association to join the EITI. The Swiss company explained it would be better placed outside of the lobby to disclose this additional information. Despite STSA's membership in the EITI, it opposed proposals that would require the same level of disclosure as is required by the EITI. (34)

The STSA, as protector of the trading industry, is willing to disclose more information and this is probably why they are supporting the EITI, but at the same time they do not want to weaken a flourishing industry. As we can see in the graph below, the profits generated by trading companies in Switzerland drastically increased over time since 2001 and this could explain why the topic of transparency became more prominent only recently. Moreover, if Switzerland were to impose mandatory disclosure for trading activities, the law would be binding only in Switzerland, making the hub less attractive but not tackling the issue at the source.



Source: Financial Times 26.3.2013 (Metals and minerals: non-ferrous)

On the right hand side, the graph shows the market share of commodities trading per country. It is undeniable that Switzerland is a major player in the business and this explains why the country has been facing international pressure on the topic of “further transparency for trading activities”. Nevertheless, Switzerland has chosen, for the moment, not to go beyond the existing regulations regarding mandatory disclosure, but is examining a potential extension to the trading activities.

10. Benefits

Should trading companies join the EITI? To answer this question, it is necessary to evaluate the benefits that the standard can bring to these trading companies and to their environment.

10.1 Local benefits

Trading and extracting companies operate many plants in host countries and accordingly, they need to build a sustainable and long-term business relationship with the local stakeholders. The EITI is a powerful tool contributing to this objective by creating:

1. Better relations with local communities and the government

The EITI provides a platform with clear explanations in order to build an understanding of how the company's activities benefit the people as well as how government revenue is generated.

2. Tools to understand and mitigate political risks, in order to safeguard assets

The political instability and the lack of governance in the management of natural resources increase the risks for companies' investments. The openness provided by the EITI allows companies to better predict social and political development and risks which in turn enable them to implement their strategies to grow and safeguard their business.

3. A facilitator for developing local infrastructure and capacity

Companies need access to skilled and competent staff. By being a member of the EITI and contributing to the reduction of corruption, the company will benefit from well-functioning infrastructure and public services, which then should reduce the need for expensive expatriate staff and imported goods and services.

4. Level playing field

Once a country has implemented the EITI, all companies operating in that country are required to be equally transparent on their financial transactional activities to the government.

5. Shape disclosure requirements and challenge corrupt practices

The EITI gives companies the opportunity to participate in the shaping and development of the EITI standard.

6. A forum for sector issues

The multi-stakeholder approach enables the EITI to provide a forum to discuss the issues of the sector such as governance and effective spending of revenues.

10.2 International benefits

1. Credibility and reputational assurance

The topic of transparency has been recently gaining traction and heightened awareness in the international community. Participation in the EITI is one way to demonstrate the company's commitment to transparency and accountability. The EITI, being the global standard for transparency and accountability, will provide strong reputational assurance and credibility for the company.

2. Improved access to finance

The EITI reports on financial transactions and revenues can improve the creditworthiness not only of the companies but also the countries. When countries' governance indicators and credit ratings improve, this eases access to finance and can also attract foreign investors and strengthen the image of the company which inevitably must lead to economic growth and prosperity.

3. Safeguard Switzerland's reputation

By joining the EITI, trading companies active in the Swiss trading hub are taking a step in the direction required by the international community. Therefore, tension will diminish, Switzerland will be under less pressure, and regulations may well be postponed or seen as unnecessary. Trading companies will be subject to no more obligations than they currently are.

11. Threats

As we have seen, the only trading company to have joined and go beyond its legal duties in this respect is Trafigura. Why do other companies not follow the same path? The answer to this question may be due to one or more of the following:

1. Compliance cost will increase

A team of employees will have to work on the project in order to provide a report on an annual basis that discloses information on transactions. The decision regarding the implementation of such a big project involves the recruitment and maintenance of new headcount, and associated overheads which will directly increase costs and reduce profitability: a double hit

2. Put contracts at risks

The EITI is a voluntary initiative for countries, this means countries can decide whether they join the EITI or not but once they join, companies have to disclose the payments made for purchase of goods from the government. Some countries such as Angola, which is one of the major oil exporters in Africa, voluntarily decided not to join the EITI. Therefore, if companies decide to disclose information the country might choose to work with a company that is more secretive.

3. Competitive disadvantage

Companies disclosing data relating to trading deals will face a relevant disadvantage insofar as their competitors can quickly and easily access where they are conducting business and who their strategic partners and customers are: essentially, a clear insight into the company's business that would be perhaps too uncomfortable for the disclosing company.

4. Reputational risk

By joining the EITI and voluntarily disclosing information that they are legally not required to disclose, companies take a reputational risk in case of a scandal, for instance, if one discovers a suspicious transaction or even if the adhesion to the EITI does not bring the expected outcome.

5. EITI is not adequate for trading companies

The EITI, as the name indicates, relates to extraction. It is therefore not applicable to trading companies. In other words, the scope of the EITI does not take trading companies into consideration and is therefore not an adequate standard for trading companies.

6. Existing anti-bribery and corruption legislation

Trading companies are already obliged to comply with many other anti-bribery laws, and it is therefore seemingly unnecessary to disclose additional information on their transactions: in other words, what would the value of additional disclosure requirements be given the anti-bribery laws which essentially should be addressing the issues?

12. Discussion

We have seen that transparency is an essential and central factor in the fight against corruption and it can certainly help countries to solve a part of the resource governance issue but also some indirect issues such as the economic growth of the country, education, or transportation. The challenge is that increasing transparency does not come at any cost and not everybody is willing to pay the price for it.

We have also seen that trading companies were often denounced by the media as being involved in corrupt practices. For trading companies such adverse media coverage often has or can have direct consequences on the company's image and reputation but also and more importantly on their business activities. One way to mitigate the risk to be denounced by the media is to be more transparent and help to shape the standard.

Trafigura is trying to self-impose a transparency policy that goes in the direction of what the international community is desirous of. It shows that it is willing to share a level of information and it tries to convince other companies to do the same. Trafigura is likely using this strategy because it can perceive the tension in the sector, and it considers it prudent to be proactive, take action and therefore remain in control of what it wishes to reveal rather than wait for a legal instrument that will force all companies to disclose payments in a costlier and very standardized manner.

Glencore on the other hand remains very discrete. It is a member of the EITI, and discloses what is mandatory and a little more just to show good faith. In reality it probably wants to keep all such information secret since it would otherwise reveal more of its operations than it is willing to. Glencore is a large mining company that has suffered numerous scandals; one strategy may be that it becomes a member of the EITI in order to prevent being once again singled out as the unethical company.

The STSA that protects the USD 22 billion trading industry in Switzerland is in favour of more disclosure, but it wants a standard that applies on a worldwide basis. It cannot afford to put the trading hub at risk since it represents an important part of the Swiss economy, employment and revenue for the Swiss government.

Trading companies in general do not want to disclose such information; for them this represents a threat, and as explained previously, since it is not legally required, they will not publish their information. Many of these trading companies are private, and therefore are not even under any obligation to publish an annual report, although if most of them do so for investors. Trading companies consider that they already provide

much information regarding their business but this is really something that must remain secret as they do not wish to reveal their strategies and agreements.

We have seen with the analysis above that it is difficult to provide a precise explanation for the price spread between the average of the year and the price paid by trading companies. Trafigura's disclosure enabled a good analysis and gives a reasonably reliable overview of its activities and countries it works in but there is much information that is unavailable and necessary to enable one to conduct a thorough analysis.

For instance, the quality of the product sold could be one factor that could explain the price difference compared to the benchmark. The dates of the transactions are also critical in understanding the context at the moment of the transaction. The contract type used, is it a term contract or spot? The way the purchase was secured, for instance, was it by way of public tender, or application for term contract? This is the type of information that could become mandatory to disclose if trading companies do not intervene to help shape the laws.

Probably the best thing to do at this stage for trading companies is to join the EITI, which implies only some paperwork and donations. This will show their willingness to cooperate, and at the same time does not require additional disclosure. It will enhance the brand image of the company, potentially attract investors, and enhance the relationship with local communities, while reducing the pressure on trading companies.

By joining the EITI, trading companies engage in the design of an effective standard for the disclosure of the trading industry, and can play a role rather than waiting for regulations to enter into force.

The data that trading companies would provide is to some extent already available. Member countries of the EITI have to report the transactions on the sale side, and for the moment traders are not required to report on the purchase side. If member countries of the EITI provide reliable information, these figures should be the same. The fact of gathering data from both parties to the transaction will enable access to more reliable information and deter the government from cooking the books.

Trading companies joining the EITI would also benefit from the multi stakeholder forum in every country where they operate. That offers them the possibility to be closer to the local community and understand issues that can relate to their operations. In this case, trading companies could discuss solutions and come to conclusions that would benefit all parties, in order to avoid being singled out as the unethical companies.

13. Conclusion

In conclusion we have seen that information on the payment to governments from trading companies can really be of critical importance for developing countries, for local communities and for the reliability of the EITI standard.

Of course such information could and would likely shine light on many deals the nature of which is unclear and potentially questionable, but when the international community asks for this information they do not consider the trading companies' perspective and what it represents for them.

As we have seen in the analysis above, revealing their customers, their suppliers, the number of transactions, the volumes and other similar data enables people and potentially, competitors to analyse this data and bypass or steal business from each other.

The costs and risks are too high for trading companies to voluntarily disclose such information. Trafigura has proven that it was financially feasible to create these reports, but it is yet too early to determine the consequences of this disclosure for the company.

Even if trading companies were to join the EITI, and the EITI would expand its applicability to trading companies, it would be very easy to bypass the standard. The EITI requires only disclosure of payments between private and governmental companies. In order to bypass the standard, the NOC's would sell its oil to a local private company which would then sell to a Swiss trading company. By adding the local company in the middle as an intermediary, the Swiss company is not required to disclose any payment since it did not buy oil from the government.

The best manner to efficiently tackle this issue and gather reliable, regular and precise data from trading companies is to regulate this industry with appropriate and effective laws. The financial industry has faced a similar evolution; since the 1980's the number of regulations has increased. Of course, this is not a silver bullet and increased regulations have some downsides and create a level of bureaucracy, delays and may have loopholes, but overall, a base line and framework to regulate and standardize is a first and important step.

It will be very difficult to convince trading companies to voluntarily disclose such sensitive information. Moreover, even if they were to do so, there would be no legal implication or repercussions. It would therefore be difficult to know if the report comprises all information, if it is reliable, if the real value is reported.

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Appendix 1: Trafigura payments to NOC 2014 (30)

2014

2014* AGGREGATE FIRST PURCHASES FROM EITI COUNTRY NOCs WHERE THE INITIAL LOAD PORT IS INSIDE THE EITI IMPLEMENTING NOC HOME COUNTRY

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU**)	Value (USD)
Colombia	Ecopetrol SA	93.17	Crude oil	43.68	281.15	–	20,440,592.49
Colombia	Ecopetrol SA	93.17	Refined	62.88	462.46	–	35,786,231.26
Ghana	Ghana National Petroleum Corp.	100	Crude oil	247.35	1,861.24	–	135,620,465.62
Mozambique	Petroleos de Mocambique S.A.	100	Refined	1.69	12.58	–	1,630,000.00
Norway	Statoil ASA	72.87	Crude oil	312.85	2,236.09	–	220,317,433.43
Norway	Statoil ASA	72.87	Refined	220.93	1,893.48	–	215,678,967.52
Peru	Petroleos del Peru – Petroperu S.A.	100	Refined	91.98	604.82	–	59,000,927.94
Trinidad and Tobago	Petroleum Company of Trinidad and Tobago Ltd.	100	Refined	154.62	1,000.25	–	80,790,676.98
Trinidad and Tobago	Trinidad and Tobago LNG Ltd.	100	Gas	–	1,643.43	9,531,881.00	105,594,826.78
TOTAL				1,135.98	9,995.50	9,531,881.00	874,860,122.02

2014 AGGREGATE SWAP OF CRUDE OIL AND CORRESPONDING DELIVERY OF REFINED PRODUCTS FROM AND TO NOCs IN EITI COUNTRIES WHERE THE INITIAL LOAD PORT IS IN THE EITI IMPLEMENTING NOC HOME COUNTRY

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
Nigeria	Nigerian National Petroleum Corporation (NNPC)**	100	Crude oil (received)	2,785.22	20,751.93	–	2,032,474,003.58
Nigeria	NNPC	100	Refined (exchanged)	2,129.47	17,168.11	–	2,187,107,898.07

2014 GRAND TOTAL OIL PAYMENTS TO EITI CANDIDATE AND COMPLIANT COUNTRIES

USD3,061,968,020.09

2014 AGGREGATE PURCHASES FROM NOCs OF EITI COUNTRIES WITH A LOAD PORT OUTSIDE THE EITI (i.e. LIKELY TO BE NON-EQUITY OIL)

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
–	–	–	–	1,237.34	9,371.32	–	539,455,796.46

2014 AGGREGATE PURCHASES FROM NOCs FROM NON-EITI COUNTRIES

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
–	–	–	–	19,832.86	155,200.11	12,655,698.00	14,947,033,812.06

* Our 2014 and 2015 disclosures relate to purchases of crude oil, refined products and gas by Trafigura Group majority owned companies over the course of the calendar year. NB. Trafigura's financial year runs from 1 October to 30 September.

** One million British Thermal Units

Table 1: Trafigura payments to NOC 2014

Appendix 2: Trafigura payments to NOC 2015 (30)

2015

2015 AGGREGATE FIRST PURCHASES FROM EITI COUNTRY NOCs WHERE THE INITIAL LOAD PORT IS INSIDE THE EITI IMPLEMENTING NOC HOME COUNTRY

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
Colombia	Ecopetrol SA	93.17	Crude oil	560.25	3,752.44	–	160,127,306.79
Colombia	Ecopetrol SA	93.17	Refined	394.09	2,519.56	–	81,735,030.67
Ghana	Ghana National Petroleum Corp.	100	Crude oil	126.00	948.12	–	35,736,463.66
Mozambique	Imopetro Importadora Mocambicana de Petroleos	51	Refined	7.61	56.61	–	4,740,000.00
Mozambique	Petroleos de Mocambique S.A.	100	Refined	5.92	44.03	–	3,150,000.00
Norway	Statoil ASA	72.87	Crude oil	330.27	2,365.59	–	133,149,790.76
Norway	Statoil ASA	72.87	Refined	45.21	394.63	–	19,379,487.51
Peru	Petroleos del Peru – Petroperu S.A.	100	Refined	239.50	1,679.15	–	79,025,120.65
Trinidad and Tobago	Petroleum Company of Trinidad and Tobago Limited	100	Refined	571.07	4,381.83	–	277,672,794.92
Trinidad and Tobago	Trinidad and Tobago LNG Ltd.	100	Gas	–	1,174.92	6,814,558.00	42,993,109.17
TOTAL				2,279.92	17,316.89	6,814,558.00	837,709,104.13

2015 AGGREGATE SWAP OF CRUDE OIL AND CORRESPONDING DELIVERY OF REFINED PRODUCTS FROM AND TO NOCs IN EITI COUNTRIES WHERE THE INITIAL LOAD PORT IS IN THE EITI IMPLEMENTING NOC HOME COUNTRY

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
Nigeria	NNPC	100	Refined (exchanged)	99.82	844.20	–	77,678,108.10

2015 GRAND TOTAL OIL PAYMENTS TO EITI CANDIDATE AND COMPLIANT COUNTRIES

USD 915,387,212.23

2015 AGGREGATE PURCHASES FROM NOCs OF EITI COUNTRIES WITH A LOAD PORT OUTSIDE THE EITI (i.e. LIKELY TO BE NON-EQUITY OIL)

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
–	–	–	–	1,361.65	10,485.09	–	544,849,165.91

2015 AGGREGATE PURCHASES FROM NOCs FROM NON-EITI COUNTRIES

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
–	–	–	–	30,910.08	251,162.37	113,297,247.06	12,704,173,718.15

Table 2: Trafigura payments to NOC 2015